

VZCZCXR08407

PP RUEHCHI RUEHDT RUEHFK RUEHHM RUEHKSO RUEHNAG RUEHNH RUEHPB

DE RUEHHI #1027/01 2530929

ZNR UUUUU ZZH

P 090929Z SEP 08

FM AMEMBASSY HANOI

TO RUEHC/SECSTATE WASHDC PRIORITY 8414

INFO RUEHHM/AMCONSUL HO CHI MINH 5085

RUCNASE/ASEAN MEMBER COLLECTIVE

RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION

UNCLAS SECTION 01 OF 02 HANOI 001027

SENSITIVE

SIPDIS

USTR FOR DBISBEE

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [ECIN](#) [EINV](#) [VM](#)

SUBJECT: VIETNAM'S PRIME MINISTER AND CABINET ENDORSE FURTHER ECONOMIC LIBERALIZATION

REF: A) Hanoi 881 ("GVN Has Tough Economic Choices Ahead");
B) Hanoi 349 ("Investment Minister Readies for U.S. Trip");
C) State 69664 (D's Meeting With DPM Khiem);
D) Hanoi 871 ("Vietnam not Rushing Trade Deals");
E) Hanoi 345 ("DNSA Price's Visit to Vietnam")

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¶1. (SBU) Summary: In meetings with visiting Deputy U.S. Trade Representative John Veroneau, Prime Minister Nguyen Tan Dung and members of his cabinet embraced further liberalization for Vietnam's economy and expressed their desire to look for additional ways to increase bilateral ties with the United States. The Vietnamese leaders vowed to move ahead with Bilateral Investment Treaty (BIT) negotiations, requested an update on their pending request for eligibility for the U.S. GSP program, and agreed on the wisdom of expediting U.S. investments in power generation projects and facilitating full market access for U.S. beef. DUSTR Veroneau told Dung and his cabinet members that the United States shared their interest in continuing to pursue expanded trade and investment opportunities bilaterally, such as with the BIT. He also provided the Vietnamese with an update on current thinking regarding possible U.S. participation in the Trans-Pacific Strategic Economic Partnership Agreement (P4). End summary.

¶2. (SBU) During his August 25-26 visit to Hanoi, DUSTR Veroneau met with Prime Minister Dung, Planning and Investment Minister Vo Hong Phuc, Office of the Government (OOG) Minister Nguyen Xuan Phuc, and of Trade and Industry Vice Minister Bui Xuan Khu. Veroneau noted that the Prime Minister's U.S. visit in June had showcased the potential for taking the U.S. - Vietnam relationship to new levels. The Vietnamese officials noted the significant macroeconomic challenges currently facing Vietnam and provided updates on the government's efforts to manage the impact of rapid growth in trade and foreign direct investment on the Vietnamese economy (REF A). Despite the significant challenges facing Vietnam's economic team, all interlocutors reiterated their focus on continuing to build on the rapid growth of bilateral relations and in particular referenced the June Bush-Dung Joint Statement as a roadmap for continued cooperation.

"ALWAYS READY FOR FURTHER TRADE LIBERALIZATION"

¶3. (SBU) Prime Minister Dung told DUSTR Veroneau that he credited Vietnam's economic success to "the WTO and all the other agreements" that Vietnam has concluded to liberalize its economy. Dung noted that despite the current macroeconomic challenges, Vietnam would continue to pursue its policy goal of integrating with the global

economy. "We are always ready for further trade liberalization," he added. In a separate meeting, OOG Minister Phuc concurred that there is broad national consensus for moving ahead: "the people are all in support of further economic development."

MOVING ON THE BIT

¶4. (SBU) DUSTR Veroneau cited the BIT as one way to move the bilateral relationship forward. His Government of Vietnam (GVN) counterparts agreed. Trade and Industry Vice Minister Khu said that "while the Ministry of Planning and Investment has the lead, we are pushing the BIT because we know that it will increase trade and investment."

OTHER WAYS TO KEEP MOMENTUM

¶5. (SBU) DUSTR Veroneau also proposed other ways to keep up the momentum, such as expediting large energy investment projects on power generation and gas exploitation projects (REF B), and granting greater access to U.S. beef exports (currently limited to meat from animals under 30 months) (REF C), among others. In response to Vietnamese queries about their pending application for GSP, he urged them to view the process as an opportunity to tackle long-term obstacles to expanding the relationship, such as on labor and IPR protection. "We are working on IPR and labor issues already," OOG Minister Phuc, "you will see that we do what we say."

U.S. PLANS ON P4

¶6. (SBU) DUSTR Veroneau also briefed the Vietnamese about U.S. plans on P4. He said that the United States would be meeting with the P4 countries, Brunei, New Zealand, Singapore and Chile, in San

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Francisco in mid-September. "Soon after that, the Administration would be in a position to decide" on next steps for the P4, including expanding the scope of the chapters under negotiation (investment and financial services) or the composition of the participants. "The United States sees the P4 agreement as the potential building block for a broader trading arrangement," Veroneau said. Prime Minister Dung and the other members of the cabinet noted that Singapore and other P4 countries have discussed the agreement with Vietnam. Prime Minister Dung explained that he has tasked relevant ministries to provide their views on the agreement in the near future. Dung expressed interest in knowing more about the agreement and the intentions of the United States. "We are all for further integration, regionally and with the United States," the Prime Minister stated.

COMMENT: VIETNAM READY TO MOVE ON

¶7. (SBU) Comment: The eagerness of Prime Minister Dung and his ministers to engage with DUSTR Veroneau on further economic cooperation seems to show that the GVN is regaining its footing after being caught off-balance earlier this year by serious macroeconomic challenges (REF A, D). The Prime Minister's U.S. visit seems to have helped, and his staff told us how pleased he was to hear from DUSTR Veroneau that his trip was seen as successful in the United States. Nonetheless, recent back and forth over the timing of BIT negotiations may indicate that the progressive and pro-market camp still has work to do to allay opposition within the GVN bureaucracy (REF E). End Comment

¶8. (U) This telegram was coordinated with USTR.

MICHALAK